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Philippines

Grain and Feed Annual

Philippine Grain and Feed Situation and Outlook

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Report Highlights:

The Philippines is a top five market for U.S. wheat, a minor importer of corn and a major destination for rice exporters. Philippine wheat imports are split between milling and feed use. Milling wheat imports over the past several years have ranged from 2.1 – 2.3 million tons, with the vast majority being of U.S. origin. Feed wheat imports depend on global corn prices. As a result of expected production recoveries in competitor countries (Canada and Australia), and increased Turkish flour imports, July 2012-June 2013 Marketing Year (MY12/13) U.S. wheat sales to the Philippines are expected to significantly decline from the MY11/12 record of \$699 million. Total wheat imports (for milling and feed) are expected to decline from 4.0 million tons in MY11/12 to 3.2 million tons in MY12/13 due to ample stocks and reduced feed use. MY13/14 imports are forecast to rise slightly to 3.4 million tons as

inventories recover and milling use increases. Higher corn production due mainly to expanded planting of biotech seed varieties and the Philippine government's (GPH) investment in infrastructure improvements are likely to reduce corn imports from 202,000 tons in MY11/12 to 100,000 tons in MY12/13, and to an even more insignificant 75,000 tons in MY13/14. While the GPH has successfully increased rice production and reduced imports in its drive toward self-sufficiency, the country remains a major importer. MY12/13 rice imports are expected to remain at 1.5 million tons, inclusive of unregistered imports, and are forecast to decline to 1.2 million tons in MY13/14 due to improved production and the GPH import cap. Most experts agree that a low milling rate, high tariffs (35-40 percent), and a thriving economy will keep the Philippines a significant rice importer for the foreseeable future.

Executive Summary:

Long a dynamic and critical player in world grain markets, the GPH's concerted drive toward self-sufficiency in rice and corn, infrastructure challenges, Philippine leadership in the adoption of biotech seeds, and implementation of the ASEAN free trade agreement will continue to hold the attention of world grain markets.

There continues to be no commercial production of wheat or "small grains" (barley, oats, etc) in the Philippines. As a result, the country is a major importer of milling-quality wheat and the United States is its largest supplier with an 85 percent average market share over the past five years (rising to an impressive 95 percent over the past two years due to poor harvests in Australia and Canada). Milling wheat imports over the past several years have remained fairly flat, ranging between 2.1 – 2.3 million tons per year, with the balance of total wheat imports consisting of feed-grade wheat (as a corn alternative) for the livestock industry.

In 2012, Philippine rice and corn production increased 8.1 and 6.2 percent, respectively, compared to the previous year's level due to higher yields and a larger area harvested. Although the GPH has announced a goal of achieving rice and corn self-sufficiency in 2013, few analysts believe this will be possible in the foreseeable future given infrastructure constraints, rising demand from a thriving economy, and very high tariffs that encourage undocumented shipments. That said, production of both grains is expected to continue increasing through MY13/14 due to the increased GPH investment in infrastructure (irrigation, milling equipment, etc).

Enhanced by the continued growth of the Philippine economy, animal and aquaculture feed demand is expected to remain strong. MY11/12 feed wheat consumption in the PSD table (at the end of this report) has been pared down slightly to reflect less-than-expected hog production. Consumption of feed wheat in MY12/13 is expected to be lower than the previous year's level as the industry shifts to more corn use. A modest increase in feed wheat consumption is predicted in MY13/14 in order to replenish stocks.

Milling wheat imports in MY12/13 have been reduced from earlier estimates due to high wheat prices in 2012 and a 69 percent increase in Turkish flour imports. Imports are expected to grow in MY13/14 as the Philippine population continues to expand and per capita consumption increases. While milling wheat is expected remain the top U.S. agricultural export to the Philippines, exports are expected to be constrained by rapidly rising imports of Turkish flour. According to the trade, Turkish flour accounted for 12 percent of the Philippine flour market in 2012. Millers in the region allege Turkey is dumping flour, and claim CIF quotes for Turkish flour are in many cases less than CIF wheat prices. This competition will be exacerbated by the recent success of Indonesian flour millers in convincing their government to temporarily increase the imported flour tariff by 20 percent. There is reportedly a similar move being undertaken by Philippine millers.

MY 12/13 corn imports were revised downward from earlier estimates as a result of improving local production and adequate beginning feed wheat stocks. No dramatic change in corn imports is predicted in MY13/14 due to the expected production improvements as a result of a higher GPH spending on infrastructure and increased use of better quality planting seeds, including genetically-enhanced seeds.

Under the recently concluded Association of South East Asian Nations Free Trade Area (ASEAN FTA), corn imports have a 5 percent duty (through 2015) while rice tariffs are at 40 percent (through 2014 and to 35 percent by 2015). This compares to the World Trade Organization's (WTO) 35 and 40 percent Most Favored Nation tariff rate quota for rice and corn, respectively (through 2015), and a 50 percent duty for both grains outside the quota. Rice imports under the WTO have quantitative restrictions which expired in 2012, but are expected to be renewed in 2013 pending the outcome of ongoing negotiations.

Pursuit of rice self-sufficiency is a Philippine government priority, and the Department of Agriculture is making significant investments in infrastructure to improve both production and milling rates. Despite reductions in official imports, the trade reports that high rice tariffs and strong demand make the country a market destination for undocumented rice imports. The rice consumption estimate for MY12/13 has been reduced from previous estimates, and is expected to only grow slightly in MY13/14 due to shifting dietary preferences as a result of the improving economy. MY13/14 rice imports are forecast to decline to 1.2 million tons because of the expected increase in production and the reduced GPH cap on rice imports and efforts to limit undocumented shipments.

Commodities:

Wheat

Corn

Rice, Milled

Production:

According to a report from the Bureau of Agricultural Statistics (BAS) of the Philippine Department of Agriculture (DA), the value of local farm output in 2012 expanded 2.9 percent, up from the 2.6 percent growth in 2011 but below the DA's growth target of 3-5 percent for the year. Overall crop production accounted for 51.5 percent of overall farm output, and expanded 4.14 percent from the previous year's level. The livestock and poultry subsectors combined to grow 3.6 percent, while fisheries dropped 0.04 percent, according to the BAS report. The DA forecasts growth of the farm sector between 4.3-5.3 percent in 2013.

Wheat

There is no commercial wheat and "small grain" (barley, oats, rye) production in the Philippines.

Corn

Corn output in 2012 reached a record 7.4 million MT, 6.2 percent higher than the 6.97 million MT output in 2011, according to the BAS. Area harvested in 2012 increased 1.9 percent compared to the 2011 level, while yields improved to 2.9 MT per hectare from 2.7 MT per hectare during the same

period. Notable corn production areas include Cagayan Valley, Ilocos Region, Southern Mindanao, Central Luzon and Western Visayas.

Yellow corn comprised over 70 percent of total corn output in 2012. Production last year grew 8.7 percent to reach 5.2 million MT compared to the 4.8 million MT level in 2011. Area harvested and yields in 2012 increased by 1.7 percent and 6.9 percent, respectively, compared to the previous year's levels. From an average yield per hectare of 3.8 MT in 2011, yellow corn yields increased to 4.1 MT per hectare in 2012.

The BAS attributes the considerable yield improvement in 2012 to the sustained use of better quality planting seeds, including genetically enhanced (GE) seeds. The superior performance of GE corn seeds has resulted in its dramatic adoption with over 300,000 Filipino corn farmers using GE corn seeds in 2012. GE yellow corn was estimated to comprise over half of overall Philippine yellow corn production in 2012.

The BAS forecasts corn production in the first half of 2013 to decline to 3.2 million MT from the previous year's level of 3.5 million MT. Corn production and area harvested in MY12/13 were adjusted accordingly and as a result, production during the year is expected to stay relatively flat compared to the previous year's level. For MY13/14, corn output is expected to increase from the previous year's level of production due to an expected increase in area harvested and the use of quality planting seeds.

In 2012, the average ex-farm price of yellow corn was P12.62 (\$0.32) per kilo, higher than the 2010 and 2011 average farm prices of P11.03 (\$0.26) and P11.94 (\$0.30) per kilo, respectively. Average ex-farm price of white corn was P14.34 (\$0.36) per kilo in 2012, three percent higher than the P13.93 average price in 2011.

The GPH, through the National Food Authority (NFA), buys yellow and white corn at P10 and P13 per kilo, respectively. Yellow and white corn farm gate prices through 2012 follow:

Yellow Corn: Monthly Prevailing Prices (P/Kg)					
	2010	2011	2012	% Change	% Change
Farmgate				11/10	12/11
Jan	10.13	12.55	13.67	23.9	8.9
Feb	10.82	12.85	13.58	18.8	5.7
Mar	11.40	12.59	12.63	10.4	0.3
Apr	11.30	11.74	12.46	3.9	6.1
May	11.02	11.66	12.72	5.8	9.1
Jun	11.40	11.55	12.46	1.3	7.9
Jul	11.31	11.32	12.32	0.1	8.8
Aug	10.96	10.89	12.14	-0.6	11.5
Sep	10.38	10.73	12.01	3.4	11.9
Oct	10.55	11.65	12.28	10.4	5.4
Nov	11.19	12.69	12.56	13.4	-1.0
Dec	11.92	13.01	12.58	9.1	-3.3
Average	11.03	11.94	12.62	8.2	5.7

Source of Basic Data: Bureau of Agricultural Statistics

White Corn: Monthly Prevailing Prices (P/Kg)					
	2010	2011	2012	% Change	% Change
Farmgate				11/10	12/11
Jan	13.70	12.39	14.52	-9.6	17.2
Feb	13.46	13.41	14.32	-0.4	6.8
Mar	13.71	14.04	14.49	2.4	3.2
Apr	13.41	14.49	14.57	8.1	0.6
May	12.70	14.70	14.40	15.7	-2.0
Jun	12.62	14.56	13.55	15.4	-6.9
Jul	12.07	14.78	13.69	22.5	-7.4
Aug	10.53	13.30	13.46	26.3	1.2
Sep	9.95	13.04	13.39	31.1	2.7
Oct	9.94	13.67	14.14	37.5	3.4
Nov	10.75	14.58	15.33	35.6	5.1
Dec	11.43	14.23	16.19	24.5	13.8
Average	12.02	13.93	14.34	15.9	2.9

Source of Basic Data: Bureau of Agricultural Statistics

Rice

Philippine rice production and area harvested in MY12/13 were raised consistent with the most recent BAS estimates for 2013. According to the BAS January 2013 Rice and Corn Situation and Outlook, paddy rice (palay) production in 2012 reached a record 18.0 million MT, up 8.1 percent from the 2011 level. Area harvested in 2012 increased 3.4 percent compared to the 2011 level, while yields improved to 3.8 MT per hectare from 3.7 MT per hectare during the same period. Major rice producing areas in 2012 included the Central Luzon, Cagayan Valley, Ilocos and Bicol regions.

Under its drive for rice self-sufficiency, the GPH hopes to produce an estimated 21 million MT in 2013, a 17 percent increase from the record 2012 output level. Although output in 2013 is expected to increase from the previous year's level, few analysts believe achieving self-sufficiency status is feasible in the foreseeable future given infrastructure constraints, rising demand from a thriving economy and very high tariffs that encourage undocumented shipments.

The BAS reports that farm gate paddy prices in 2012 were fairly stable with an average price of P16.52 (\$0.41) per kilo, 5.5 percent higher than the average price of P15.66 (\$0.39) per kilo in 2011.

Palay/Rice: Monthly Prevailing Prices (P/Kg)					
	2010	2011	2012	% Change	% Change
Farmgate				11/10	12/11
Jan	15.23	15.14	16.14	-0.6	6.6
Feb	15.77	15.55	16.25	-1.4	4.5
Mar	16.19	15.61	16.37	-3.6	4.9
Apr	15.51	15.57	16.47	0.4	5.8

May	15.34	15.83	16.67	3.2	5.3
Jun	15.50	15.72	16.92	1.4	7.6
Jul	15.59	16.04	17.12	2.9	6.7
Aug	15.67	15.99	17.15	2.0	7.3
Sep	15.28	15.75	16.65	3.1	5.7
Oct	14.59	15.25	16.07	4.5	5.4
Nov	14.18	15.54	16.18	9.6	4.1
Dec	14.40	15.91	16.25	10.5	2.1
Average	15.27	15.66	16.52	2.5	5.5

Source of Basic Data: Bureau of Agricultural Statistics

The NFA, continues to buy clean and dry paddy rice at P17 (\$0.42) per kilo. In 2012, the NFA bought over 350,000 MT of paddy, roughly 28 percent higher than the volume it bought in 2011. This year (2013), the agency aims to buy 615,000 MT local paddy rice, roughly 3 percent of the expected production.

A serious challenge to the Philippine rice industry is the continued entry of undocumented rice into the country which is generally sold at a much cheaper price than domestically produced rice. Rice millers, which procure the bulk of locally produced paddy rice, have threatened to stop their purchasing activities, should the practice continue unabated. According to industry contacts, the inflow of undocumented rice has impacted the price of domestic paddy, which has recently dropped from P18 per kilo to about P15.50 per kilo (see CONSUMPTION and TRADE).

Consumption:

General Economic Situation

Philippine GDP in 2012 expanded 6.6 percent from 3.9 percent in 2011, exceeding the official 5-6 percent growth target for the year. Industry accelerated 6.5 percent (from 2.3 in 2011) while services grew by 7.4 percent (from 2011's 5.1 percent). Agriculture maintained its pace at 2.7 percent. For 2013, GPH economic planners expect a GDP growth rate between 6-7 percent, fuelled by increased domestic household consumption, government and capital spending, and remittances from overseas Filipino workers. Cash remittances grew 6.3 percent in 2012, reaching \$21.4 billion. Additionally, campaign related spending leading to the May 20, 2013 mid-term elections is likely to spur more economic activity.

The International Monetary Fund (IMF) predicts the Philippine GDP growth rate at 6.0 percent for 2013 and 5.5 percent for 2014 while the World Bank projects 2013 and 2014 GDP growth at 6.2 percent and 6.4 percent, respectively.

According to the Bangko Sentral ng Pilipinas (BSP), average inflation in 2012 was steady at 3.2 percent, and is expected to settle between 3-5 percent through 2014.

Wheat

Total Philippine milling capacity is estimated at 4 million MT but existing plants continue to operate below potential (roughly 50 percent) due to flat milling wheat demand. At least partly to blame for the weaker demand is the increasing competition from cheap imported wheat flour from Turkey which is sold up to 40 percent lower than locally produced flour, according to trade contacts. There are at least 25,000 bakeries operating in the Philippines and small and medium-size bakers use an estimated 55 percent of overall wheat flour.

U.S. wheat dominates the Philippine milling wheat market with a commanding 85 percent average market share over the past five years (rising to an impressive 95 percent in the past two marketing years due to poor harvests in Canada and Australia). Milling wheat demand has been flat in recent years and was pared down slightly compared to previous estimates in MY12/13 due to high wheat prices, flour imports and shipping schedules. Despite this, milling wheat consumption is expected to increase through MY13/14 due to the growing population and per capita consumption.

Increasing meat demand as a result of continued economic growth has enhanced growth of local animal-feed consuming industries. However, because feed grain production is limited in the Philippines, animal nutritionists are forced to innovate and be resourceful. Quality issues of locally produced yellow corn make feed wheat a popular corn substitute in the Philippines. The local hog industry accounts for an estimated 65 percent of the country's feed requirements, poultry with a 25 percent share and the balance divided by the local fishery sector and other animal farms. In 2012, domestic hog production grew 1.1 percent from the previous year's level while chicken production gained 4.6 percent. Aquaculture posted a 2.8 percent growth during the same period. Feed wheat demand estimates in MY11/12 were reduced compared to previous estimates to reflect the less-than-expected hog production.

Philippine wholesale (retail prices unavailable) feed wheat prices follow:

Feed Wheat: Monthly Prevailing Prices (P/Kg)					
	2010	2011	2012	% Change	% Change
Wholesale				11/10	12/11
Jan	12.70	16.00	15.40	26.0	-3.8
Feb	12.90	16.00	14.45	24.0	-9.7
Mar	13.20	15.25	13.70	15.5	-10.2
Apr	13.00	14.45	13.50	11.2	-6.6
May	13.35	13.88	13.84	4.0	-0.3
Jun	12.80	14.00	13.70	9.4	-2.1
Jul	12.75	13.00	14.36	2.0	10.5
Aug	14.20	13.00	15.90	-8.5	22.3
Sep	13.92	13.30	16.50	-4.5	24.1
Oct	14.15	15.60	16.00	10.2	2.6
Nov	14.00	15.60	16.00	11.4	2.6
Dec	16.00	15.75	16.13	-1.6	2.4
Ave	13.58	14.65	14.96	7.9	2.1

Source of Basic Data: Philippine Association of Feed Millers, Inc.

According to data from the Philippine Association of Feed Millers, Inc. (PAFMI), feed wheat prices in February 2013 ranged from P15.30-17.00/kilo (\$0.38-0.43/kilo). Post attributes this higher price range (compared to 2012 average prices) to Australia's diminishing feed wheat supply. Because of this, feed wheat demand in MY12/13 is forecast to be lower than the previous year's level due to an expected shift to more yellow corn use during the year.

Overall wheat consumption in MY12/13 is expected to decline from the previous year's level, before increasing again in MY13/14 due to the continued growth of the Philippine economy.

Corn

Philippine per capita consumption of beef, pork and poultry meat is very low compared to its regional neighbors. There is strong potential for increased demand of these products as the economy continues to strengthen. As such, the local livestock, poultry and aquaculture industries are likely to continue expanding and use of yellow corn as feed is expected to modestly increase in MY12/13 and MY13/14.

The following are monthly average retail prices of yellow corn for the period 2010-2012. According to BAS data, the average yellow corn retail price in 2012 was at P21.51 (\$0.54) per kilo, nine percent higher than the 2011 average price of P19.73 (\$0.49). Domestic prices have started to decline in early 2013 due to good production, according to industry contacts.

Yellow Corn: Monthly Prevailing Prices (P/Kg)					
	2010	2011	2012	% Change	% Change
Retail				11/10	12/11
Jan	18.74	19.84	21.14	5.9	6.6
Feb	19.98	19.91	21.14	-0.4	6.2
Mar	19.32	19.41	21.39	0.5	10.2
Apr	19.39	18.75	21.76	-3.3	16.1
May	19.63	18.78	21.76	-4.3	15.9
Jun	19.59	18.84	22.00	-3.8	16.8
Jul	19.33	19.19	21.82	-0.7	13.7
Aug	19.27	19.80	21.80	2.8	10.1
Sep	18.92	19.87	21.66	5.0	9.0
Oct	18.96	20.17	21.48	6.4	6.5
Nov	18.75	21.05	21.08	12.3	0.1
Dec	19.19	21.17	21.14	10.3	-0.1
Ave	19.26	19.73	21.51	2.5	9.0

Source of Basic Data: Bureau of Agricultural Statistics

The average 2012 retail price of white corn was P19.72 (\$0.49) per kilo, 3.4 percent higher than the P19.08 (\$0.48) average price in 2011 (refer to the following table). Current retail prices for white corn grits are not readily available although they are expected to be modestly higher than white corn grain. White corn grits are usually consumed mixed with milled rice and eaten as a staple in some islands in the Southern Philippines. This mix is being promoted by the DA as part of its campaign for rice self-sufficiency (see POLICY).

White Corn: Monthly Prevailing Prices (P/Kg)					
	2010	2011	2012	% Change	% Change
Retail				11/10	12/11
Jan	22.67	18.99	19.45	-16.2	2.4
Feb	22.73	19.04	19.85	-16.2	4.3
Mar	21.93	18.71	19.60	-14.7	4.8
Apr	20.14	18.42	19.60	-8.5	6.4
May	20.13	18.12	19.80	-10.0	9.3
Jun	19.54	18.44	19.68	-5.6	6.7
Jul	17.72	19.16	19.67	8.1	2.7
Aug	18.22	19.80	19.53	8.7	-1.4
Sep	17.74	19.81	20.05	11.7	1.2
Oct	17.87	19.53	19.60	9.3	0.4
Nov	17.85	19.48	20.00	9.1	2.7
Dec	18.06	19.40	19.77	7.4	1.9
Ave	19.55	19.08	19.72	-2.4	3.4

Source of Basic Data: Bureau of Agricultural Statistics

No significant change in white corn consumption is expected in MY13/14 compared to the previous year's level.

Rice

Due to shifting dietary preferences as a result of the improving economy, forecasted rice demand in MY12/13 was modestly pared down compared to previous estimates, and is expected to only grow slightly in MY13/14

Commercial rice prices continued to increase in 2012. The monthly average retail price of milled rice from 2010 to 2012 is provided in the following table. Although cheaper NFA rice (P25-28/kilo or \$0.63-0.70/kilo) is being sold, it is not as accessible to the public as commercial rice.

Rice: Monthly Prevailing Prices (P/Kg)					
	2010	2011	2012	% Change	% Change
Retail				11/10	12/11
Jan	34.20	34.34	35.08	0.4	2.2
Feb	34.46	34.58	35.08	0.3	1.4
Mar	34.59	34.57	35.18	-0.1	1.8
Apr	34.40	34.57	35.23	0.5	1.9
May	34.09	34.71	35.25	1.8	1.6
Jun	34.40	34.74	35.27	1.0	1.5
Jul	34.46	34.78	35.44	0.9	1.9
Aug	34.47	34.88	35.70	1.2	2.4
Sep	34.40	34.88	35.66	1.4	2.2
Oct	34.19	34.81	35.31	1.8	1.4
Nov	34.09	34.89	35.22	2.3	0.9

Dec	34.11	34.97	35.24	2.5	0.8
Ave	34.32	34.73	35.31	1.2	1.7

Rice Source of Basic Data: Bureau of Agricultural Statistics

Press articles report that the entry of undocumented milled rice into the country intensified in 2012. According to trade contacts, local rice reportedly is sold around P1,400 (\$35) per 50-kilo bag (or P28 or \$0.70 per kilo), while undocumented foreign rice can be bought at P1,250 (\$31.25) per 50-kilo bag (or P25 or \$0.63 per kilo). The entry of undocumented rice is likely to have a stabilizing effect on local commercial rice prices in 2013.

Trade:

Despite increasing grain prices as a result of the U.S. drought, 2012 Philippine grain imports increased from their 2011 levels as food and feed millers reinforced inventories, anticipating further price increases. Imports were also enhanced by the strengthening of the Philippine Peso to the US dollar last year (the Peso strengthened by 6.8 percent versus the US dollar in 2012, closing the year at P41.05/US\$1)

By 2015, most farm products will be duty free among the nations of the Association of South East Asian Nations (ASEAN) as a result of the ASEAN Free Trade Agreement (AFTA). Other regional free trade agreements with other countries (e.g. Australia) also provide competitive and sometimes lower import duties.

The following trade matrices report official imports on a calendar year (January to December) basis. PSD trade numbers (located at the end of this report) are on a July-June Market Year (MY) basis and are inclusive of undocumented imports. Trade Years (TY) vary per grain as follows:

- Wheat TY - Jul-Jun
- Corn TY - Oct-Sep In-Year
- Rice TY- Jan-Dec Out-Year

Wheat

Wheat is the top U.S. agricultural export to the Philippines. U.S. wheat sales in MY11/12 reached a record \$699 million, according to U.S. Census Bureau data, a 31 percent increase from the \$532 million export level in MY10/11. Over the past five years, the United States has had an average 85 percent market share in milling wheat (rising to an impressive 95 percent over the past two years due to poor harvests in Australia and Canada).

Wheat imports through 2012 are provided in the table below. Imports have been increasing mainly due to feed wheat imports from Australia (many feed millers resort to feed wheat importation as leverage to counter any drastic increases in local corn prices).

Reporting Countries Export Statistics (Partner Country: Philippines)
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UDG: Wheat, Group 60 (2012)				
Annual Series: 2010 - 2012				
Reporting Country	Unit	Quantity		
		2010	2011	2012
Reporting Total	T	3010664	3476112	3644590
United States	T	1722257	2069829	1869359
Australia	T	160845	1277875	1665358
Canada	T	352195	127686	109873
Others	T	775365	722	0

Note: Milling wheat imports range between 2.1-2.3 million tons per year with the balance consisting of feed-grade wheat for the livestock industry

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

Feed wheat imports in MY12/13 are likely to decline from the MY11/12 level due to adequate stocks and the livestock industry's anticipated shift back to corn for feed. As a result, total wheat imports in MY12/13 will likely significantly decline from the MY11/12 level. Imports of feed wheat are likely to increase in MY13/14 as inventories recover. Marginal increases of milling wheat imports are likely through MY13/14 as the Philippine population continues to expand and per capita consumption increases.

The share of wheat flour imports relative to overall milling wheat imports is likely to increase through MY13/14 due to strong competition from Turkish flour. Turkish flour accounted for 93 percent of wheat flour imports in 2012 which, according to industry contacts, translates to the annual output of a mid-sized milling plant. The following are wheat flour imports for the 2010-2012 period.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Wheat Flour, Group 44 (2012)				
Annual Series: 2007 - 2012				
Reporting Country	Unit	Quantity		
		2010	2011	2012
Reporting Total	T	113706	122483	194043
Turkey	T	100129	105459	177800
Australia	T	3354	3372	10039
China	T	4483	3239	3285
Taiwan	T	314	695	1242
India	T	143	91	811
Ukraine	T	733	340	480
South Korea	T	165	186	190
Hong Kong	T	48	53	58
Singapore	T	530	114	57
United States	T	90	114	38
Indonesia	T	60	5510	0
Others to US	T	3717	8819	43

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

Millers in the region allege Turkey is dumping flour, and claim CIF quotes for Turkish flour are in many cases less than CIF wheat prices. This competition in the Philippine market will be exacerbated by the recent success of Indonesian flour millers in convincing their government to temporarily increase the imported flour tariff by 20 percent. There is reportedly a similar move being undertaken by Philippine millers.

Executive Order No. 61 (EO 61), signed in October 2011, took effect in January 2012 and adjusted Most Favored Nation (MFN) tariff rates on a range of agricultural products, including wheat. Milling wheat duties were removed by EO 61 but are still subject to a 12 percent Value Added Tax (VAT) on the subsequent flour sales, payable at the time the wheat is imported. Feed wheat imports, on the other hand, are subject to a 7 percent MFN duty and are not subject to VAT. Wheat flour imports are also subject to a 7 percent MFN tariff.

Under the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), both milling and feed wheat imports to the Philippines from Australia are duty-free.

Corn

According to Global Trade Atlas, imports in 2012 increased 42 percent from the 2011 level. U.S. market share increased from 7 percent in 2010 to 10 percent in 2011, before reaching 18 percent in 2012. Thai corn continues to dominate imports.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Coarse Grains, Group 59 (2012)				
Annual Series: 2010 – 2012				
Reporting Country	Unit	Quantity		
		2010	2011	2012
Reporting Total	T	149565	92752	131631
Thailand	T	80713	44952	90055
United States	T	11123	9300	24280
Australia	T	9183	9590	9854
Argentina	T	16722	4158	5066
China	T	262	1541	1336
Others	T	31562	23210	1040

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

Corn imports into the Philippines have a two-tiered MFN tariff structure: 35 percent in-quota duty and a 50 percent out-of-quota rate. Corn imports originating from member countries of ASEAN are charged a much lower 5 percent duty under the Common Effective Preferential Tariff scheme of the AFTA.

Corn imports in MY12/13 are likely to decline from the previous year's level due to increasing production. Imports are likely to further decline in MY13/14, as local production is expected to continue improving.

Rice

Rice imports from WTO-partner countries carry a 40 percent MFN in-quota tariff through 2015. The current in-quota or Minimum Access Volume (MAV) is 350,000 MT. Imports beyond the quota are levied a 50 percent duty. Rice imports under the WTO also have quantitative restrictions (QR). In late 2011, the GPH formally informed the WTO its intention to start talks on extending the rice QR to 2015 and negotiations are ongoing.

Rice imports through 2012 are provided in the following table. Import statistics are used for rice as exporter data does not include Vietnam rice exports to the Philippines.

Philippines Import Statistics Commodity: Rice, Group 58 (2012) Annual Series: 2010 - 2012				
Partner Country	Unit	Quantity		
		2010	2011	2012*
World	T	2386217	709798	994700
Vietnam	T	1775095	581880	812701
Thailand	T	444867	118385	19314
Myanmar	T	0	4125	22344
India	T	1750	2147	93394
China	T	1701	1527	1891
Singapore	T	125	1514	652
United States	T	10660	220	3
Others	T	152018	0	44401

*January to November, most recent data available

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

MY12/13 rice imports are expected to remain at 1.5 million tons (inclusive of unregistered imports which are likely to be in the vicinity of 400,000-600,000 MT, according to industry contacts), and are forecast to decline to 1.2 million tons in MY13/14 due to improved production and the GPH's cap on official rice imports. Most experts agree that a low milling rate, high tariffs (35-40 percent), and a thriving economy will keep the Philippines a significant rice importer for the foreseeable future.

Stocks:

Wheat

Wheat inventories are expected to decline through MY13/14. Wheat stocks are largely private sector-held i.e., flour and feed millers.

Corn

Corns stocks in MY12/13 are expected to decline from the previous year's level as imports decline, and will likely to stay at this level in MY13/14.

Rice

Philippine rice inventory is comprised of those stocks held by the NFA, the commercial sector, and households. As a matter of policy, a 90-day national rice buffer stock entering the third quarter of each year should be maintained. Of this desired stock level, 30 days worth of rice stocks should be in the NFA's possession. Additionally, at any given time, the NFA should have a stock level good for 15 days.

Rice inventories in MY12/13 increased due to upward revisions made to production estimates during the year. Stocks are likely to modestly increase in MY13/14 as a result of increased local production.

Policy:

Rice

Achieving rice self-sufficiency is a GPH priority and 2013 has been declared as the Philippine National Year of Rice by President Benigno Aquino III.

Encouraged by the 18 million MT rice production in 2012, the DA continues to aggressively pursue rice self-sufficiency. The DA's rice self-sufficiency plan, as embodied in its Food Staples Self-sufficiency Roadmap 2011-2016, has the following objectives:

1. Produce at least 21.11 million MT of rough rice by the end of 2013
2. Maintain per capita rice consumption at 120 kg/year
3. Increase production of non-rice staples by 3.5 percent annually

According to a media article, the DA will be allocating P84.2 billion (\$2.1 billion) for the rice self-sufficiency program through 2016. For 2013, P31.1 billion (\$0.78 billion) will be set aside; P22.7 billion (\$0.57 billion) for 2014; for P17.5 billion (\$0.44 billion) for 2015; and P12.8 billion (\$0.32 billion) for 2016.

In December 2012, the DA signed an agreement with the International Rice Research Institute (IRRI) to pursue cooperation in the areas of developing high-yielding, pest/disease-resistant, and climate change-resilient varieties for both inbred and hybrid rice.

The Philippines is a regional biotechnology leader and the DA (through the Philippine Rice Research Institute) is also working with IRRI in developing Vitamin-A enriched and virus-resistant rice (Golden Rice). Golden Rice is currently undergoing field tests and will likely be ready for commercial release in 2-3 years.

Production, Supply and Demand Data Statistics:

Wheat Philippines	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	0	0	0	0		0
Beginning Stocks	675	675	906	1,006		671
Production	0	0	0	0		0
MY Imports	4,020	4,020	3,200	3,200		3,400
TY Imports	4,020	4,020	3,200	3,200		3,400
TY Imp. from U.S.	2,147	2,147	0	2,100		2,100
Total Supply	4,695	4,695	4,106	4,206		4,071
MY Exports	39	39	50	50		50
TY Exports	39	39	50	50		50
Feed and Residual	1,475	1,375	1,100	1,200		1,250
FSI Consumption	2,275	2,275	2,300	2,285		2,295
Total Consumption	3,750	3,650	3,400	3,485		3,545
Ending Stocks	906	1,006	656	671		476
Total Distribution	4,695	4,695	4,106	4,206		4,071
1000 HA, 1000 MT, MT/HA						

Corn Philippines	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: May 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,556	2,556	2,585	2,538		2,600
Beginning Stocks	691	691	623	623		454
Production	7,130	7,130	7,215	7,131		7,400
MY Imports	202	202	200	100		75
TY Imports	214	214	200	100		75
TY Imp. from U.S.	17	17	0	0		0
Total Supply	8,023	8,023	8,038	7,854		7,929
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	5,300	5,300	5,400	5,400		5,475
FSI Consumption	2,100	2,100	2,000	2,000		2,000
Total Consumption	7,400	7,400	7,400	7,400		7,475
Ending Stocks	623	623	638	454		454
Total Distribution	8,023	8,023	8,038	7,854		7,929
1000 HA, 1000 MT, MT/HA						

Rice, Milled Philippines	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: May 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,579	4,579	4,630	4,692		4,750
Beginning Stocks	2,459	2,459	1,809	1,809		1,751
Milled Production	10,700	10,700	10,990	11,367		11,900
Rough Production	16,984	16,984	17,444	18,043		18,889
Milling Rate (.9999)	6,300	6,300	6,300	6,300		6,300
MY Imports	1,500	1,500	1,500	1,500		1,200
TY Imports	1,500	1,500	1,500	1,500		1,200
TY Imp. from U.S.	0	0	0	0		0

